THE EVOLUTION OF ISLAMIC MONETARY POLICY: CIVILIZATIONAL ROOTS, LEGAL FOUNDATIONS, AND CONTEMPORARY RELEVANCE

Imron Rosadi [1], Yadi Janwari[2], Sofian Al-Hakim[3]

[1] UIN Sunan Gunung Djati Bandung

[2] UIN Sunan Gunung Djati Bandung

[3] UIN Sunan Gunung Djati Bandung

E-mail: [1)] 3240130010@student.uinsgd.ac.id, [2)] yadijanwari@uinsgd.ac.id, [3)] sofianalhakim@uinsgd.ac.id

Abstract

This study investigates the dynamic evolution of monetary policy within Islamic civilization, spanning from the Prophetic era to the late Ottoman Empire. Contrary to static legalistic narratives, this research employs a historical-comparative approach to demonstrate that Islamic monetary practices were highly adaptive responses to shifting economic realities, ranging from cross-border trade integration to global inflationary shocks. The analysis highlights several pivotal shifts: the pragmatic adoption of foreign currency during the Rashidun Caliphate, the assertion of monetary sovereignty through the Arabization of coinage under the Umayyads, and the development of sophisticated credit instruments during the Abbasid era. Furthermore, the study critically examines the failures of fiat money experiments in the Mamluk Dynasty and the Delhi Sultanate, contrasting them with the relative stability of the Fatimid gold standard and the Ottoman Empire's strategic adaptation to the "Price Revolution." By synthesizing data from numismatic evidence and classical texts—such as those by Al-Maqrizi and Ibn Khaldun—with modern economic historiography, this article argues that the resilience of an Islamic monetary system depends less on the intrinsic material of the currency (gold/silver) than on institutional integrity, state credibility, and market supervision (Hisbah). These historical insights provide a vital empirical foundation for formulating contemporary Islamic economic policies, particularly regarding fiscal-monetary integration and currency stability management.

Keywords: ***Islamic Monetary Policy, Economic History, Dinar and Dirham, Fiat Money, Institutional Economics, Ottoman Economy***

1. INTRODUCTION

The study of monetary policy within the history of Islamic civilization occupies a crucial position in the global economic thought treasury (Haneef, 1995), yet it is often marginalized by narratives that focus too heavily on legal-formalistic *fiqh* aspects alone. Understanding how Islamic states—from the Prophetic era to the final Ottoman Caliphate—managed money supply, price stability, and financial instruments is not only relevant for reconstructing economic history but also vital for the development of empirical and applicable contemporary Islamic economic policies (Chapra, 2016).

Monetary policy in Islam was not born in a vacuum; it was a dynamic response to real economic challenges, ranging from the integration of currency zones post-conquest and precious metal supply crises to global inflationary shocks caused by the discovery of the New World. A literature review indicates a clear evolution from a simple bimetallic system (gold and silver) toward a complex financial system involving fiat money, credit instruments, and integrated fiscal-monetary management. As noted by Timur Kuran in *Islam and Mammon*, a deep understanding of Islamic economic history requires separating doctrinal idealization from the reality of historical practices, which were often influenced by political pragmatism and external economic pressures (Kuran, 2004).

This report will unravel this evolution through several major historical epochs, focusing on policy instruments, institutional transformations, and the socio-economic impacts of monetary decisions made by Muslim rulers. This analysis is supported by numismatic data, classical historical manuscripts such as the works of Al-Maqrizi and Ibn Khaldun, and interpretations by modern economic historians such as Şevket Pamuk and Stefan Heidemann.

Based on this background, this article has several main objectives. First, to analyze the evolution of monetary policy in Islamic civilization chronologically, from the formative era of the Prophet Muhammad SAW to the end of the Ottoman Empire. Second, to identify the key instruments, institutions, and principles underlying these policies in each historical period. Third, it conducts a comparative analysis to highlight the continuity and changes in policy between different dynasties. Fourth, it evaluates the relevance of these historical lessons for the discourse on Islamic monetary policy in the contemporary era.

The scientific contribution offered by this research is the provision of a comprehensive and integrated historical narrative. This research goes beyond a single case study to present an evolutionary synthesis. Thus, this article provides a solid empirical basis for Islamic finance academics and practitioners to understand the historical roots of many modern debates, such as the debate between commodity money versus fiat money, the role of the state in price stabilization, and the relationship between fiscal and monetary policy.

2. IMPLEMENTATION METHOD

This research employs a qualitative method with a historical research approach to analyze the evolution of monetary policy in Islamic civilization. The research design utilized is a literature review and historical-comparative analysis. This approach allows for the tracing and comparison of monetary policies, instruments used, and their impacts across long periods and diverse geographic regions.

Data sources in this study consist of primary and secondary sources. Primary sources include the works of classical Muslim historians, such as Al-Maqrizi's writings on monetary crises in Egypt, as well as other historical documents accessed through secondary sources. Secondary sources form the backbone of the research, including peer-reviewed international scientific journals, academic books relevant to Islamic economic history, numismatic studies, and historical literature regarding the dynasties under review.

Data collection techniques were carried out through systematic documentation and library research from various academic databases, digital libraries, and relevant literature collections. Once the data was collected, the data analysis techniques applied were content analysis and historical-comparative analysis. Content analysis was used to extract key information regarding monetary policies, institutions, and events from historical texts. Subsequently, historical-comparative analysis was employed to compare these findings across various periods and dynasties to identify patterns of continuity, change, and influencing factors.

To ensure structured analysis, this research uses clear periodization, dividing the history of Islamic monetary policy into key eras: The Early Islamic Era (Prophet Muhammad PBUH and the Rashidun Caliphs), The Umayyah Dynasty Era, The Abbasid Dynasty Era, and The Era of Regional

Dynasties (including the Fatimids, Mamluks, Safavids, Sultanates in India, and the Ottoman Empire).

3. RESULTS AND DISCUSSION

3.1 Theoretical Foundations and Early Practices: The Era of the Prophet and the Rashidun Caliphs

The Pre-Islamic Arab Monetary Environment and Pragmatic Adoption

Prior to the advent of Islam, the Arabian Peninsula lacked a central authority that minted its own currency. The Hijaz economy, particularly Makkah as a trade hub, operated within a dual monetary system dominated by two great imperial powers: the Byzantines in the west and the Sassanids in the east. The circulating currencies were the gold Dinar (denarius) from Byzantium and the silver Dirham (drachma) from Sassanid Persia (As-Sadr, 1989).

During the time of Prophet Muhammad SAW, the applied monetary policy was pragmatic in nature (Sodik et al., 2025). The Prophet did not immediately abolish these foreign currencies or mint new ones; rather, he adopted what was already prevailing in the market (*market-driven adoption*). This was done to maintain trade stability and to avoid disrupting market liquidity, which was heavily dependent on international trade. References from the *International Journal of Islamic Economics and Finance Studies* by Adam Abdullah assert that the Islamic monetary standard was initially a theory of money minting that adopted Byzantine and Persian weight standards, but with exchange rate adjustments based on the fairness of weight (Abdullah, 2020).

The primary policy during this period was not the *creation* of money, but the *ethical regulation* of its use. The prohibition of *riba* (usury) became the central pillar of monetary policy, fundamentally transforming the nature of money from a rentable commodity into a pure medium of exchange and store of value. Furthermore, the institutionalization of *Hisbah* (market supervision) ensured that weight and measurement standards were strictly enforced to prevent *ghish* (fraud) and *tadlis* (deception) (Zallum, 1983). In Shahih Muslim number 1584, The Prophet SAW stated regarding exchange, “Gold for gold, silver for silver... hand to hand and equal,” which became the foundation for a metallic monetary system demanding equality in intrinsic and nominal value (Al-Hajjaj, n.d.).

The Reforms of Umar bin Khattab: Standardization of the Dinar-Dirham Ratio

The rapid expansion of Islamic territory during the Rashidun Caliphate, particularly under Caliph Umar bin Khattab (634–644 CE), brought new challenges (Rahmawati, 2020). The Islamic state now controlled former Byzantine territories in the Levant and Egypt (which used gold) and former Sassanid territories in Iraq and Persia (which used silver). To integrate the fiscal system (taxes such as Kharaj and Jizyah) and military payrolls, Umar implemented fundamental reforms.

Umar established a standard weight relationship between the Dinar and Dirham known as the “Standard of Seven to Ten” (7/10). This meant that the weight of 7 gold Dinars was equivalent to the weight of 10 silver Dirhams. According to numismatic research, the standard weight of the Dinar was set at approximately 4.25 grams (based on the Byzantine *mithqal*) and the Dirham at approximately 2.975 grams (Abdullah, 2020). This measure was not merely a technical adjustment but a strategic monetary policy to create stable exchange rate parity across the vast caliphate. This stability was crucial for uniformly calculating the *nisab* of zakat across provinces with different currency traditions.

Although Umar began adding Islamic inscriptions such as “Bismillah” to Sassanid-style silver coins, he retained the original iconography (such as the Zoroastrian fire and the Persian king’s face) to guarantee the coins' acceptance in international markets (Nur, 2021). This demonstrates intelligent policy-making that balanced Islamic identity with global economic reality.

The Institutionalization of Baitul Mal

Parallel to the increase in state revenue from *ghanimah* (war booty) and *fai* (state assets), Umar established the Baitul Mal and the Diwan system (administrative registry). Abdul Qadim Zallum, in Al-Amwal fi Daulah al-Khilafah, explains that the Baitul Mal was not merely a storage facility for wealth but a ministry of finance regulating money circulation (Astutik & Fitriah, 2024). Umar's fiscal policies, such as the distribution of *ata* (annual stipends) to citizens, effectively functioned as monetary instruments that injected liquidity into the economy, spurred aggregate demand, and prevented the accumulation of wealth in the hands of a few elites.

3.2 Monetary Transformation of the Umayyad Dynasty: Sovereignty and Arabization (661–750 CE)

The Umayyad Dynasty era marked a radical turning point in Islamic monetary history. Under the reign of Caliph Abd al-Malik bin Marwan (685–705 CE), monetary policy shifted from pragmatic adoption toward full independence and the declaration of political sovereignty through currency (Hasan et al., 2005).

The Reforms of Abd al-Malik bin Marwan (691–697 CE)

Prior to Abd al-Malik's reforms, the Islamic territories were effectively divided into two distinct currency zones. Research by Stefan Heidemann in the article "The Merger of Two Currency Zones in Early Islam" details how Abd al-Malik unified the Byzantine currency zone in the west and the Sassanid zone in the east into a single, integrated Islamic monetary system (Heidemann, 1998).

The reform measures included; (1) Currency Arabization: Abd al-Malik removed all figurative images (living beings) from coins, replacing them with pure Arabic calligraphy. The new gold Dinar minted in 77 AH (696/697 CE) featured Quranic excerpts, notably the declaration of *Tawhid* and Surah Al-Ikhlas (Sodik et al., 2025). This was a powerful theological proclamation against the Byzantine Christian doctrine of the Trinity, turning money into a medium of *da'wah* and a symbol of state identity (Nur, 2021). (2) Centralization of Minting: The state assumed full control over money minting (*sikkah*). Dinar minting was centralized in Damascus, while Dirhams were minted in various provinces (Bates, 1986) under the strict supervision of governors like Al-Hajjaj bin Yusuf (Heidemann, 1998). Standardization of weight and metal purity was rigorously enforced to build public trust (Grierson, 1960). (3) Economic Unification: By creating a single currency valid from Andalusia to the borders of India, the Umayyads eliminated inter-provincial trade barriers. Nuha et al., note that this policy significantly increased trade volume and strengthened internal market integration (Nuha et al., 2024).

The following table summarizes the transition of currency specifications from the transitional era to the full reform era:

Table 1 Transition of Currency Specifications

Aspect	Pre-Reform Era (Transition)	Post-Reform Era (Abd al-Malik, 77 AH)
Design	Byzantine/Sassanid imitation with slight modifications	Full epigraphic, Kufic Arabic script, image-free
Inscription	Mixture of Greek/Pahlavi and Arabic	Purely Arabic (Quran)
Weight Standard	Varied according to local standards	Dinar: ~4.25g, Dirham: ~2.97g (Standardized)
Authority	Decentralized	Centralized under the Caliph's authority

This reform is often cited as one of the greatest managerial achievements in medieval history (Heidemann, 1998). The stability of the Umayyad Dinar made it an international reserve currency accepted in Western Europe, where kings such as Offa of Mercia even imitated the Islamic Dinar (minting the "Mancus") due to its credibility (Grierson & Blackburn, 1986; Naismith, 2011).

3.3 The Abbasid Dynasty: Financial Complexity and Credit Innovation (750–1258 CE)

The shift of the power center to Baghdad under the Abbasid Dynasty brought an economic focus shift to the east, integrating more deeply with Asian trade routes. This era was marked by an abundant supply of silver from Central Asian mines (such as Panjshir), which triggered massive monetization of the economy.

Baitul Mal and Liquidity Management

During the Abbasid period, the structure of the Baitul Mal became highly bureaucratic and specialized. Abdul Qadim Zallum notes a clear separation between Zakat revenue (which had specific expenditure categories) and Kharaj and Jizyah tax revenue, which were used for general state expenditures (Zallum, 1983). Monetary policy at this time faced liquidity challenges due to the immense volume of trade. Precious metals, though abundant, were often difficult to transport in large quantities due to security risks and transport costs. It was here that Islamic financial instrument innovation played a vital role (Astutik & Fitriah, 2024).

The Emergence of Banking and Credit Instruments

Economic historians such as Abraham Udovitch have demonstrated that the Islamic world during the Abbasid era developed sophisticated credit instruments long before Europe. The profession of money changers (*sarraf*) and bankers (*jihbaz*) became central institutions in the economy. Key instruments developed included: (1) *Suftaja*: A type of bill of exchange allowing merchants to deposit money in Baghdad and cash it in Basra or Kufa, avoiding the risk of carrying cash. (2) *Sakk*: A check, representing a written payment order. (3) *Ruq'a*: A payment note or promissory note (Udovitch, 1981).

This system allowed for credit expansion beyond physical metal reserves, a limited early form of fractional reserve banking. The state often utilized the services of Jewish and Christian bankers (such as the Netira and Aaron families) to manage state finances, including tax transfers from provinces and military salary payments (Fischel, 1937). This indicates a highly advanced level of integration between the private financial sector and state fiscal policy.

However, reliance on silver (Dirham) also brought problems. In the 10th and 11th centuries, the phenomenon of the "Silver Famine" occurred in the Middle East, where the quality and quantity of Dirhams declined drastically (Ashtor, 1976; Watson, 2019). This forced a shift back to the gold standard or the use of low-quality copper money, marking the beginning of monetary instability in the subsequent period.

3.4 Regional Dynasties: Fiat Money Experiments and Inflationary Crises

The political fragmentation post-Abbasid spawned various regional dynasties with diverse monetary policies. This period offers contrasting case studies between the success of monetary stability and catastrophic failure due to token currency experiments.

The Fatimid Dynasty (909–1171 CE): The Glory of the Gold Standard

In Egypt, the Fatimid Dynasty implemented a highly disciplined monetary policy focused on a monometallic gold standard. Recent research by Nur Annisa et al. in the journal Asy-Syarikah highlights that Fatimid economic prosperity was supported by the stability of the Fatimid Dinar, which possessed very high purity levels (often above 98%) (Annisa et al., 2025).

Fatimid policy strategies included: (1) Rerouting Trade: Moving the trade center from the Persian Gulf to the Red Sea, leveraging Egypt's strategic position as the connector for the spice trade between the Indian Ocean and the Mediterranean (Bramoullé, 2019). (2) Quality Control: The state maintained strict control over the mint (*Dar al-Darb*) to ensure the Dinar did not undergo debasement (Bacharach, 2006). (3) Tax and Trade Integration: Large customs revenues from international trade allowed the state to maintain strong gold reserves without manipulating the currency (Lev, 1991).

Fardani add that this economic policy was supported by religious tolerance, allowing non-Muslim merchants to participate actively, alongside major investments in agricultural infrastructure and the textile industry (Fardani, 2024). The stability of the Fatimid Dinar made it the reference currency in the Mediterranean (The Dollar of the Middle Ages), rivaling the dominance of the Byzantine Dinar (Goitein, 1999).

The Mamluk Dynasty (1250–1517 CE): The Copper Crisis and Al-Maqrizi's Theory

Conversely, the Mamluk Dynasty in Egypt and the Levant provides valuable lessons on the dangers of uncontrolled fiat money. Facing fiscal pressure due to constant warfare (against the Crusaders and Mongols) and population decline from the Black Death, Mamluk sultans began minting copper money (fulus) in massive quantities. Initially, fulus were used only for small transactions (small change). However, the state began mandating the acceptance of fulus for large transactions and tax payments, while gold and silver reserves were hoarded or flowed abroad (to Europe). This triggered hyperinflation that destroyed the public's purchasing power (Borsch, 2005).

The great historian and economist of that era, Taqiyuddin Al-Maqrizi (d. 1442 CE), documented this crisis in his monumental work, *Ighathat al-Ummah bi-Kashf al-Ghummah*. Studies by Adel Allouche in *Mamluk Economics* and John L. Meloy analyze Al-Maqrizi's critique in depth (Allouche & Maqrīzī, 1994).

Al-Maqrizi's relevant monetary theories include (Allouche & Maqrīzī, 1994); (1) Early Version of Gresham's Law: Al-Maqrizi observed that "bad money" (copper) drives "good money" (gold/silver) out of circulation. Gold and silver are hoarded or exported, leaving the market flooded with copper whose value continually plummets. (2) Monetary vs. Natural Inflation: He distinguished between price increases caused by natural disasters (drought) and those caused by corrupt monetary policy (debasement). He asserted that the crisis of his time was the result of rulers printing copper money without limits for short-term fiscal gain. (3) Social Justice: This inflation disproportionately harmed the poor and fixed-income earners, while the ruling elite holding real assets or gold were protected.

An analysis by Fathurrohman affirms the relevance of Al-Maqrizi's critique for modern monetary systems, particularly regarding the impact of fiat money printing on social welfare (Fathurohman et al., 2021).

The Delhi Sultanate: Muhammad bin Tughlaq's Token Currency Experiment

In India, Sultan Muhammad bin Tughlaq (1325–1351) conducted the boldest yet most tragically ending monetary experiment. Facing a silver shortage and funding needs for military expansion and the capital relocation to Daulatabad (Jackson, 2003), Tughlaq introduced "Token Currency" in 1329-133091. He minted coins from brass and copper, and by royal decree, forced their value to be equal to silver coins (tanka).

Zumeer Ahmad Sofi analyzes the failure of this policy (Sofi, 2023). The primary issue was not the concept of token money itself (which resembles modern paper money), but the absence of security features and weak state control. The coins were easily counterfeited. Contemporary historian Ziauddin Barani noted that "every Hindu house became a mint," implying the public mass-produced fake coins to pay taxes and buy goods (Barani, 1862).

Consequently, the market was flooded with fake coins, merchants refused to accept them, and foreign trade halted. Tughlaq was eventually forced to recall the token currency and exchange it for real silver from the state treasury, causing massive fiscal losses. This case serves as a classic study in economic history regarding the importance of public trust and institutional integrity in a fiat money system. Without both, the state-mandated value of money cannot endure (Kumar & Habib, 2005).

3.5 The Gunpowder Empires Era: Safavid and Ottoman

In the early modern period (16th to 18th centuries), the Islamic world faced global economic integration challenges, specifically the influx of precious metals from the New World (Americas) brought by European merchants (S. Pamuk, 2000).

The Safavid Dynasty (1501–1736 CE): Silk Trade and Silver Scarcity

The Safavid Dynasty in Persia had a unique economic structure heavily reliant on raw silk exports and silver imports to finance the state. The book The Monetary History of Iran by Rudi Matthee, Willem Floor, and Patrick Clawson provides an authoritative analysis of this period. The Safavids frequently experienced "silver famine". Silver flowed in from the West (Ottoman/Europe) to purchase Persian silk, but immediately flowed out to the East (India) to purchase spices and Indian textiles (Matthee et al., 2013).

A trade deficit with India made it difficult for Iran to maintain a sufficient stock of silver currency in domestic circulation. Safavid monetary policy was characterized by efforts to maintain the standard of silver coins (Abbasi) amidst metal supply fluctuations. However, by the late 17th century, supply crises forced the closure of many mints and the circulation of foreign coins and low-quality copper coins, weakening the dynasty's economic legitimacy prior to its collapse (Matthee et al., 2013).

The Ottoman Empire (1299–1922 CE): Adaptation to the Price Revolution

The Ottoman Empire, as a superpower connecting Europe and Asia, possessed the most complex monetary system. Its primary currencies were the Akçe (silver) and Sultani (gold). The greatest challenge arose in the 16th century with the "Price Revolution" phenomenon. Historian Ömer Lütfi Barkan, in his seminal article in the International Journal of Middle East Studies, argued that the severe inflation hitting the Ottomans was caused by a flood of cheap silver from the Americas brought by European merchants, which lowered the global value of silver (Barkan & McCarthy, 1975; Ş. Pamuk, 2001).

However, modern economic historian Şevket Pamuk, in his book *A Monetary History of the Ottoman Empire* published by Cambridge University Press, offers a more nuanced revisionist view (S. Pamuk, 2000; Sifa & Subakir, 2025). Pamuk argues that besides external factors, the Ottoman government's internal policy of debasement (reducing metal content) played a key role. The Ottoman government intentionally reduced the silver content in the *Akçe* to mint more coins to finance expensive wars and a swelling bureaucracy. Massive debasement in 1585-1586 caused the value of the *Akçe* to plummet, triggering permanent inflation and social unrest (*Celali* rebellions) (İnalcık & Quataert, 1994).

Nevertheless, Pamuk highlights the flexibility of Ottoman monetary policy (S. Pamuk, 2000). Contrary to the view that the Islamic economy was rigid, the Ottomans demonstrated high pragmatism by: (1) Allowing the circulation of foreign currencies (such as the Dutch *Leeuwendaalder* and Spanish *Real*) in domestic markets to address liquidity shortages. (2) Developing distinct "currency zones" for different regions (e.g., Egypt had its own system connected to Istanbul). (3) Introducing new currencies (*Para* and later *Kuruş*) in the 17th and 18th centuries to stabilize the system after the *Akçe* lost credibility.

3.6 Overview of Islamic Economic Thought Leaders Regarding Monetary Policy

Historical policy analysis is incomplete without understanding the intellectual foundations influencing it.

Abu Yusuf (d. 798 CE): In *Kitab al-Kharaj*, written for Caliph Harun al-Rashid, Abu Yusuf emphasized the importance of a fair and proportional tax system (*muqasamah*). He rejected fixed tax systems (*misaha*) that burdened farmers during crop failures. His thought reflects the integration of fiscal policy and long-term economic stability (Yusuf, 1979). Siddiqi (Siddiqi, 1981) notes that this thinking reflects the early integration between fiscal policy and long-term economic stability.

Al-Ghazali (d. 1111 CE): He provided a sharp analysis of the function of money as a "mirror" possessing no intrinsic value other than as a measure. He condemned money hoarding and counterfeiting as actions destructive to the social function of money. Rahmawati reinforce the analysis of this function of money from an Islamic perspective (Rahmawati, 2020).

Ibn Khaldun (d. 1406 CE): In the *Muqaddimah*, he linked currency stability to state power (Haldun, 1967). He argued that currency debasement is a sign of a dynasty's decline, indicating the state is no longer capable of financing itself through legitimate taxation and has shifted to a hidden "inflation tax" through currency manipulation (Chapra, 2016).

3.7 Implications for Contemporary Islamic Economic Policy

This historical study offers several key lessons for modern Islamic economic discourse, particularly in Indonesia which has strong aspirations for sharia economic development.

Critique of Fiat Money vs. Gold: The history of fiat money failure (Mamluk & Tughlaq) is often used as an argument by proponents of the Dinar-Dirham (Abdullah, 2020). However, Ottoman and Abbasid history demonstrates that successful monetary systems do not need to be rigid regarding pure gold; rather, they require wise supply management, efficient credit instruments, and most importantly, public trust.

Role of State and Institutions: The success of Abd al-Malik and Umar bin Khattab's reforms shows that monetary stability requires strong and centralized state authority. The concept of *Baitul Mal* as a fiscal-monetary manager is relevant to the functions of modern central banks and finance ministries in maintaining macroeconomic stability.

Financial Instrument Innovation: The history of instruments like *Sukuk* (rooted in *Sakk*) and *Suftaja* proves that Islamic economics is inherently innovative. Aqwa Naser Daulay, in his analysis of sharia monetary instruments, emphasizes the importance of developing instruments compliant with sharia yet responsive to modern liquidity needs, continuing the tradition of innovation from the Abbasid era (Nuraini et al., 2024).

Table 2 Comparative Matrix of Monetary Policy in Islamic Dynasties

Period / Dynasty	Primary Currency	Key Monetary Institutions	Significant Policy / Innovation	Major Challenges
Early Islamic Era (610-661)	Dinar (Byzantine), Dirham (Persian)	Market Supervision (*Hisbah*)	Adoption of existing currencies; Standardization of weight & inscriptions (Umar bin Khattab)	Dependence on foreign currencies
Umayyad (661-750)	Islamic Dinar & Dirham	State Mint (*Dar al-Sikka*)	Arabization & Unification of currency (Abd al-Malik); Creation of independent currency	Enforcing standards across vast territories
Abbasid (750-1258)	Dinar, Dirham	Structured *Baitul Mal*, *Sarraf* & *Jihbaz*	Development of credit instruments (*suftaja*); Precursors to banking systems	Political fragmentation in the later period

Period / Dynasty	Primary Currency	Key Monetary Institutions	Significant Policy / Innovation	Major Challenges
Mamluk (1250-1517)	Dinar, Dirham, *Fulus* (Copper)	Market Supervisor	Massive introduction of fiat money (*fulus*)	Hyperinflation due to *fulus* devaluation
Delhi Sultanate (1206-1526)	*Tanka* (Silver/Billon), *Jital* (Copper)	State Mint	Token currency experiment (Muhammad Tughlaq)	Failure of token currency & economic crisis
Safavid (1501-1736)	*Tuman* (Gold), *Abbasi* (Silver)	Centralized Royal Administration	Economic centralization & promotion of silk exports (Shah Abbas I)	Constant wars with neighbors
Ottoman (1299-1922)	*Akçe* (Silver), *Sultani* (Gold)	State Treasury, *Sarraf*	Bimetallic system; Repeated devaluation of *akçe*	Global silver inflation ("Price Revolution")

4. CONCLUSION

The evolution of monetary policy in Islamic civilization is a narrative of continuous adaptation. From the pragmatism of the Prophet and Rashidun Caliphs, the ideological unification of the Umayyads, the financial complexity of the Abbasids, to the challenges of globalization faced by the Ottomans and Safavids, this history rejects the monolithic view of a static "Islamic Economic System".

Instead, it demonstrates that Islamic principles (justice, prohibition of riba, honesty in measurement) always interact with the economic realities of the age. Failures occurred not due to the adoption of new financial technologies (such as token money), but due to the loss of moral integrity among rulers and weak institutional controls (as in the Mamluk and Tughlaq cases). Therefore, for policymakers and academics of Islamic economics in Indonesia today, history teaches that the foundation of economic stability lies not merely in the physical form of the currency, but in the credibility of the institutions managing it and adherence to substantial economic justice principles.

Based on these findings, this study proposes several key recommendations for future research to deepen the discourse on Islamic monetary history and its modern applicability: (1) Quantitative Historical Analysis: Future scholars should move beyond descriptive narratives and employ cliometric methods to analyze inflation rates, purchasing power parity, and money supply velocity in specific Islamic dynasties using surviving numismatic data and waqf records. (2) Jurisprudential Adaptability: Further research is needed to examine how classical *fiqh* scholars (jurists) historically adapted legal rulings (*fatwas*) in response to monetary shocks—specifically, how they legitimized or critiqued the transition from intrinsic to token money. (3) Modern Relevance (CBDC): Researchers should investigate the feasibility of adapting the dual-function model of the *Baitul Mal* (fiscal-monetary integration) as a framework for designing Central Bank Digital Currencies (CBDC) in Muslim-majority countries. This would bridge the gap between classical heritage and the future of digital finance, ensuring that modern policies remain rooted in the principles of economic justice and social welfare.

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